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CENTRAL INTELLIGENCE AGENCY
Office of Current Intelligence
15 July 1963

CURRENT INTELLIGENCE MEMORANDUM

SUBJECT: The Situation and Outlook in Brazil

1. The Brazilian political situation continues unsettled and uncertain. The evidence concerning President Goulart's objectives is conflicting, but he is essentially an opportunist whose inclinations and associations are populist and leftist. Under Goulart, Communists and their sympathizers have achieved a strong position from which to try to exert increasing influence on Brazilian policy.

2. Last month's cabinet shakeup brought extreme leftist Evandro Lins to the Foreign Ministry. He is unlikely to do anything to reverse the government's drift--which began during the 1950's--away from almost unquestioning support of and cordial friendship toward the United States. What Brazil seems to be driving toward is "big power" status and a middle-of-the-road position in the cold war independent of the influence of the United States, toward which its attitude from time to time is openly hostile. The conservative Carvalho Pinto accepted the Finance Ministry in the cabinet change, which also led to the replacement of an extreme leftist at the Agriculture Ministry by a moderate socialist friendly to the United States.

3. It is still too early to determine how effectively the economic stabilization program will be executed. The cost-of-living rise in Rio de Janeiro during the first six months of 1963 reached 30 percent. Arrears in international commercial payments rose to \$175.3 million on 30 June, in comparison with \$138.2 million on 1 April. Carvalho Pinto is seeking to reformulate Brazil's financial program which is based on cooperation with the United States.

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5. The chances still favor Goulart's retirement from the presidency at the end of his term in January 1966, and there is still a fair chance that his successor will be more responsible. Nevertheless, the profound political and economic instability of the country, and the strong positions being won by Communists, extreme leftists, and ultranationalists, will tend to push the country toward more radical departures in domestic and foreign policies. This could lead ultimately to the establishment of an extreme-leftist regime with a strongly anti-US character.

6. This memorandum has been coordinated with INR and ARA in the Department of State

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